

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 /026 R

66610

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9/5/73 EXT 22001

APPROVED BY: ARA:JBKUBISCH

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P 052334Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO PRIORITY

S E C R E T STATE 176731

EXDIS

E.O. 11652: XGDS

TAGS: CI, EFIN

SUBJECT: FLAVIAN LEVINE AND COPPER

REF: SANTIAGO 3623

1. AS WE UNDERSTAND LEVINE'S MESSAGE TO YOU, HIS INITIATIVE WITH KENNECOTT WAS AUTHORIZED AT THE HIGHEST LEVELS OF THE GOC. ALTHOUGH HE DID NOT COMMUNICATE THIS POINT TO KENNECOTT, LEVINE SAYS HE RECOGNIZES THE NEED FOR AN OVERT MECHANISM FOR SETTLEMENT. IN EFFECT, HE OUTLINES A CHEME SUPPLEMENTING THE GOC PROPOSAL FOR APPLICATION OF THE 1914 TREATY WITH A PRIOR BINDING AGREEMENT (PRESUMABLY RUNNING FROM THE GOC DIRECTLY TO THE COMPANIES) THAT WOULD ESTABLISH THE AMOUNT OF COMPENSATION TO RESULT FROM THE TREATY PROCESS SUBJECT TO REVIEW UPWARDS OR DOWNWARDS IN LIGHT OF THE INTERNATIONAL COMMISSION'S REPORT. IT IS IMPLICIT THAT THE COMPENSATION WOULD BE FINANCED BY THE DOLS 200 MILLION SCHRODERS LOAN AND WOULD BE PAID OUT INDIRECTLY THROUGH THE SCHRODERS CHANNEL.

2. AS YOU WILL APPRECIATE, WE ARE SKEPTICAL ABOUT THE VIABILITY OF LEVINE'S SCHEME. IN THE FIRST PLACE, IT IS SECRET

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UNCLEAR WHETHER ALLENDE, ALMEYDA, ET AL APPROVE THE CONCEPT OF AN ULTIMATE PUBLIC SETTLEMENT LINKED TO THE 1914 TREATY OR MERELY SEE A PRIVATE AND SECRET SETTLEMENT WITH THE COMPANY AS AN ALTERNATIVE TO AN INTER-GOVERNMENTAL

AGREEMENT. IT IS NOT CLEAR TO US HOW THE GOC WOULD FIND THE LEGAL AND POLITICAL MEANS TO LINK UP AND IMPLEMENT THIS ARRANGEMENT. FURTHER, CONSIDERING THAT DISCLOSURE OF A SECRET DEAL WITH HYE COMPANIES MIGHT PREJUDICE IMPLEMENTATION OF A DETERMINATION BY THE INTERNATIONAL COMMISSION, SUCH A SECRET COMMITMENT MIGHT BE OF QUESTIONABLE VALUE.

3. ON THE OTHER HAND, IT IS HIGHLY SIGNIFICANT THAT ALLENDE AND HIS TOP ADVISERS ARE REPORTED TO HAVE TAKEN THE DECISION THAT THEY ARE PREPARED TO PAY COMPENSATION TO THE COPPER COMPANIES, INCLUDING KENNECOTT. FURTHER, WE HAVE CONSISTENTLY TOLD THE CHILEANS THAT WE ARE INTERESTED IN AN EFFECTIVE SOLUTION AND HAVE SUGGESTED MORE OR LESS EXPLICITLY THAT THE 1914 TREATY MIGHT BE USEFUL IF A MEANS COULD BE FOUND TO ASSURE THE RESULT. LEVINE'S PROPOSAL IS RESPONSIVE TO THAT U.S. CONCERN. THEREFORE, WE DO NOT BELIEVE WE SHOULD IGNORE OR CLOSE OFF ANY FURTHER INITIATIVE ALONG THESE LINES. WE ARE INTERESTED IN EXPLORING ANY CHILEAN IDEA THAT MIGHT LEAD TO THE PAYMENT OF COMPENSATION AND THE RESOLUTION OF THIS PROBLEM.

4. ACCORDINGLY, YOU ARE REQUESTED, WHEN YOU CAN FIND A SUITABLE OPPORTUNITY, TO TELL LEVINE THAT THE USG IS ALWAYS INTERESTED IN HEARING ANY IDEAS THE GOC MAY HAVE THAT COULD LEAD TO A SOLUTION OF THIS PROBLEM BY THE PAYMENT OF PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION. HE SHOULD UNDERSTAND THAT ALTHOUGH SECRET NEGOTIATIONS COULD BE HELPFUL, THE END RESULT MUST BE A PUBLIC SETTLEMENT THAT CAN BE IMPLEMENTED BY THE CHILEAN GOVERNMENT. WE WOULD BE PARTICULARLY INTERESTED IN LEARNING MORE CONCRETELY WHAT GOC COMMITMENTS MIGHT BE MADE TO THE USG WITH RESPECT TO THE IMPLEMENTATION OF A DETERMINATION MADE UNDER THE 1914 TREATY PROCEDURE. ALTHOUGH THE DEPARTMENT WOULD NOT WISH TO DISCOURAGE CONTACTS WITH THE COMPANIES, THE BEST PROSPECTS FOR PROGRESS AT THIS STAGE WOULD APPEAR TO BE THROUGH INFORMAL DISCUSSIONS DIRECTLY WITH U.S. REPRESENTATIVES. YOU SHOULD INDICATE YOU ARE AVAILABLE FOR THAT
SECRET

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PURPOSE, BUT EMPHASIZE THE ULTIMATE NECESSITY TO LINK UP THESE INFORMAL EXPLORATIONS WITH THE BILATERAL DISCUSSIONS HEADED BY SECRETARIES KUBISCH AND HENNESSY. FINALLY, YOU SHOULD MAKE IT CLEAR THAT OUR WILLINGNESS TO LISTEN TO WHAT LEVINE HAS TO SAY DOES NOT IMPLY ANY COMMITMENT ON OUR PART TO ANY PARTICULAR PROPOSAL.

SECRET

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, INDEMNIFICATION, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 SEP 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE176731
Document Source: ADS
Document Unique ID: 00
Drafter: L:MBFELDMAN:NG
Enclosure: n/a
Executive Order: 11652 XGDS
Errors: n/a
Film Number: P750014-1094
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730963/abqceims.tel
Line Count: 104
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN L
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: SANTIAGO 3623
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by boyleja>; APPROVED <26 FEB 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FLAVIAN LEVINE AND COPPER
TAGS: EFIN, CI, (LEVINE, FLAVIAN)
To: SANTIAGO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005